

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
INDIANA BOARD OF TAX REVIEW



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MEMORANDUM

DATE: August 24, 2007

TO: Assessing Officials

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Commissioner, DLGF

Betsy J. Brand
Commissioner, IBTR

Terry G. Duga
Commissioner, IBTR

RE: Appeals

The DLGF and IBTR are jointly issuing this memorandum to clarify their positions on several issues that deal with the appeals of real property assessments.

Specifically:

- I. Taxpayers are **not** required to submit appraisals of appealed property in order to effectively appeal during the informal conference or the PTABOA hearing.
- II. It is appropriate to consider and use distressed sales such as foreclosure, sheriff's sales, and bankruptcy sales when these types of transfers constitute the normal market for real property in an area.
- III. The preferred method, and the method required by statute, for valuing one to four (1-4) family residential property is the use of the gross rent multiplier (GRM).

Justification for these positions follows:

- I. Indiana law **does not require** a taxpayer to submit an appraisal of the subject property in order to appeal the assessment. While the Tax Court has held that an appraisal properly trended to the appropriate valuation date is the best evidence, it is not the only acceptable evidence. Taxpayers may present any form of evidence that will provide an indication of the value of the appealed property. Limiting taxpayers to only one form of evidence could impose an undue burden upon them. Examples of acceptable evidence are:
 1. A sale of the subject property adjusted to the valuation date.
 2. Sales of comparable properties that the taxpayer can demonstrate the similarity between the appealed property and the comparable properties.
 3. Assessments of comparable property if an equity argument is being made. The taxpayer should be able to demonstrate the similarity between the appealed property and the comparable properties.
 4. An appraisal; either done for the appeal or for some other purpose, trended to the appropriate valuation date.

5. Income and expense information if the property is an investment.

The above list is not limiting; there may be other types of evidence. Assessing officials should accept all evidence from taxpayers and give it consideration based upon its relevance to appealed property.

- II. All sales should be considered when reviewing an appeal or conducting an analysis for annual adjustments. The verification process, whereby the assessing official determines if the sale is valid and should be used for a particular purpose, should always be undertaken before using a sale.

Sales are of all types with all possible conditions reflect the attitudes and ideas of buyers and sellers in the marketplace. Specific financing terms, type of seller, and market conditions are not reasons for categorically rejecting a sale as invalid.

Recently, more sales are occurring as the result of foreclosures by a lender. When these types of sales become the norm in an area or for a particular type of property, they may become indicators of market value-in-use for those properties. An informed buyer is not going to purchase a home from an individual acting as the seller when the buyer could purchase an equally, desirable property for a lower price from a lender. Therefore, assessing officials need to consider these types of sales when making decisions about adjusting values.

- III. IC 6-1.1-4-39(b) states, "The gross rent multiplier is the preferred method of valuing:
- (1) real property that has at least one (1) and not more than four (4) rental units; and
 - (2) mobile homes assessed under IC 6-1.1-7."

Assessing officials **are required** by law to develop and apply gross rent multipliers on smaller, residential investment properties. The data necessary to process this requirement can be obtained through mailed or field survey, information from realtors and management companies, and by requiring it to be submitted for an appeal.

Details on the use of gross rent multipliers can be found in any appraisal text, in the DLGF mailing of November 21, 2003, or on the DLGF website.